

Clerk's stamp:



COURT FILE NUMBER 1703 - 21274

COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE EDMONTON

PLAINTIFF ROYAL BANK OF CANADA

DEFENDANT 1679775 ALBERTA LTD., REID -BUILT HOMES LTD., REID WORLDWIDE CORPORATION, BUILDER'S DIRECT SUPPLY LTD., REID INVESTMENT LTD., REID CAPITAL CORP. AND EMILIE REID

DOCUMENT AFFIDAVIT

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT **BLAKE, CASSELS & GRAYDON LLP**
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File: 44746/52

AFFIDAVIT OF CONCETTA BIELLO

Sworn on November 17, 2017

I, CONCETTA BIELLO, of the City of Montreal, in the Province of Quebec, **SWEAR AND SAY THAT:**

1. I am a Vice President, Special Loans, at Laurentian Bank (the "**Bank**"). I have been directly involved with the Reid Worldwide Corporation ("**Worldwide**" or the "**Borrower**") account. I have also had the opportunity to review the business records of the Bank relevant to the Worldwide account. I have personal knowledge of the matters deposed to in this Affidavit, except where stated to be based upon information, in which case I believe same to be true.
2. I am authorized to make this Affidavit on behalf of the Bank.

3. Capitalized terms used but not defined herein have the meaning ascribed to them in the Commitment Letters (as defined below).

I. THE DEFENDANTS

4. The Defendants, Reid-Built Homes Ltd. ("**Reid Homes**"), Worldwide, Reid Investments Ltd. ("**Reid Investments**") and Ms. Emilie Reid ("**Ms. Reid**") are debtors and/or guarantors to the Bank.

5. The Bank understands that on November 2, 2017 Alvarez & Marsal Canada Inc. was appointed as receiver and manager (the "**Receiver**") of Reid Homes, Reid Worldwide and Reid Investments among other entities (the "**Receivership Order**").

II. THE INDEBTEDNESS

6. Pursuant to a Commitment Letter dated July 7, 2016 between the Bank, as lender, and Worldwide, as Borrower, the Bank made certain demand credit facilities available to Worldwide (the "**Original Commitment Letter**"). Attached hereto and marked as Exhibit "A" is a copy of the Original Commitment Letter.

7. In accordance with the Original Commitment Letter, the Bank extended the following demand facilities to Worldwide:

- (a) Facility 1 (Demand Interim Non-Revolving Land Acquisition & Servicing Loan Facility) in the amount of \$8,306,641.00; and
- (b) Facility 2 (Demand Interim Revolving Construction Facility) in the amount of \$8,315,000.00

(collectively, the "**Facilities**").

8. The Facilities were extended to provide financing for the Phase I construction, development and servicing of a 16.78 acre parcel of land to be developed with 48 single family homes and Phase II and III lands of approximately 56 acres (the "**Project**").

9. The Original Commitment Letter was amended on October 4, 2016 to add Reid Homes as guarantor (the "**Amended Commitment Letter**" and together with the Original Commitment Letter, the "**Commitment Letters**"). Attached hereto and marked as Exhibit "**B**" is a copy of the Amended Commitment Letter.

10. As at November 17, 2017, the total indebtedness owing by the Borrower to the Bank pursuant to the Commitment Letters is approximately \$5,661,702.00 plus associated costs and disbursements with additional interest and other charges accrued or accruing thereon at the rates and on the terms established by the Commitment Letters (the "**Indebtedness**").

III. THE SECURITY

A. *Worldwide Security*

11. As security for the amounts advanced pursuant to the Commitment Letters, the Borrower executed a security agreement dated August 18, 2016 in favour of the Bank (the "**Security Agreement**"). Attached hereto and marked as Exhibit "**C**" is a copy of the Security Agreement.

12. The Bank has registered its security granted pursuant to the Security Agreement at the Alberta Personal Property Registry (the "**PPR**"). Attached hereto and marked as Exhibit "**D**" is a copy of a PPR search in respect of the Borrower dated November 17, 2017.

13. As security for its obligations, the Borrower granted various security to the Bank, including:

- (a) First Collateral Land Mortgage dated August 18, 2016 granted by the Borrower in favour of the Bank in the original principal amount of \$16,622,000 (the "**Original Mortgage**"). The Original Mortgage was registered with Alberta Land Titles against certain lands as instrument number 162 266 080. The legal descriptions of the lands mortgaged to the Bank pursuant to the Original Mortgage are detailed in Schedule "A" to the Original Mortgage (the "**Original Lands**"). Attached hereto and marked as Exhibit "**E**" is a copy of the Original Mortgage.

- (b) Security interest in all present and after acquired personal property of the Borrower and the Original Lands as set out in Schedule "A" to the Security Agreement.
- (c) Unconditional Joint and Several Guarantee dated August 18, 2016 granted by Reid Investments and Ms. Reid (the "**Guarantors**") in favour of the Bank (the "**Guarantee**"). Attached hereto and marked as Exhibit "**F**" is a copy of the Guarantee.
- (d) General Assignment of Rents and Leases dated August 18, 2016 granted by the Borrower in favour of the Bank (the "**Assignment of Rents and Leases**"). The Assignment of Rents and Leases was registered as a caveat in favour of the Bank against the Original Lands as instrument number 162 266 081. Attached hereto and marked as Exhibit "**G**" is a copy of the Assignment of Rents and Leases.
- (e) Assignment and Postponement of Investor's Loans/Notes dated August 18, 2016 granted by Ms. Reid and the Borrower in favour of the Bank ("**Ms. Reid's Postponement**"). Attached hereto and marked as Exhibit "**H**" is a copy of Ms. Reid's Postponement.
- (f) Assignment and Postponement of Investor's Loans/Notes dated August 18, 2016 granted by Reid Investments and the Borrower in favour of the Bank ("**Reid Investments' Postponement**"). Attached hereto and marked as Exhibit "**I**" is a copy of Reid Investments' Postponement.
- (g) Assignment of Material Documents dated August 18, 2016, granted by the Borrower in favour of the Bank (the "**Assignment of Material Documents**"). Attached hereto and marked as Exhibit "**J**" is a copy of the Assignment of Material Documents.
- (h) Environmental Indemnity Agreement dated August 18, 2016 granted by the Borrower and the Guarantors in favour of the Bank (the "**Environmental**

Liability Agreement"). Attached hereto and marked as Exhibit "K" is a copy of the Environmental Indemnity Agreement.

- (i) Assignment of Insurance Interest dated August 18, 2016 granted by the Borrower in favour of the Bank (the "**Assignment of Insurance Interest**"). Attached hereto and marked as Exhibit "L" is a copy of the Assignment of Insurance Interest.
- (j) General Assignment of Purchase and Sale Agreements and Proceeds of Sale dated August 18, 2016 granted by the Borrower in favour of the Lender (the "**GAPS Assignment**"). Attached hereto and marked as Exhibit "M" is a copy of the GAPS Assignment.
- (k) Cost Overrun and Completion Guarantee dated August 18, 2016 granted by the Borrower and the Guarantors in favour of the Bank (the "**Cost Overrun and Completion Guarantee**"). Attached hereto and marked as Exhibit "N" is a copy of the Cost Overrun and Completion Guarantee.
- (l) Assignment of Construction Contracts dated August 18, 2016 granted by the Borrower in favour of the Bank (the "**Assignment of Construction Contracts**"). Attached hereto and marked as Exhibit "O" is a copy of the Assignment of Construction Contracts.

(collectively, with the Commitment Letters, the "**Borrower Security Documents**").

B. Reid Homes Security

14. As security for the amounts advanced pursuant to the Commitment Letters, Reid Homes executed a security agreement dated October 31, 2016 in favour of the Bank (the "**Reid Homes Security Agreement**"). Attached hereto and marked as Exhibit "P" is a copy of the Reid Homes Security Agreement.

15. The Bank has registered its security granted pursuant to the Reid Homes Security Agreement against Reid Homes at the PPR. Attached hereto and marked as Exhibit "Q" is a copy of the PPR search of Reid Homes dated November 17, 2017.

16. As security for its obligations under a Guarantee dated October 31, 2016 granted by Reid Homes in favour of the Bank (the "**Reid Homes Guarantee**") (Attached hereto and marked as Exhibit "**R**" is a copy of the Reid Homes Guarantee), Reid Homes granted various security to the Bank, including:

- (a) First Collateral Land Mortgage dated October 31, 2016 granted by Reid Homes in favour of the Bank in the original principal amount of \$16,622,000 (the "**Additional Mortgage**"). The Additional Mortgage was registered with Alberta Land Titles in against certain additional lands as instrument number 162 331 602. The legal descriptions of the lands mortgaged to the Bank pursuant to the Original Mortgage are detailed in Schedule "A" to the Additional Mortgage (the "**Additional Lands**"). Attached hereto and marked as Exhibit "**S**" is a copy of the Additional Mortgage.
- (b) Security interest in all present and after acquired personal property of Reid Homes and the Additional Lands as set out in Schedule "A" to the Reid Homes Security Agreement.
- (c) General Assignment of Rents and Leases dated October 31, 2016 granted by Reid Homes in favour of the Bank (the "**Reid Homes Assignment of Rents and Leases**"). The Reid Homes Assignment of Rents and Leases was registered as a caveat in favour of the Bank against the Additional Lands as instrument number 162 331 603. Attached hereto and marked as Exhibit "**T**" is a copy of the Reid Homes Assignment of Rents and Leases.
- (d) Assignment and Postponement of Investor's Loans/Notes dated October 31, 2016 granted by Reid Homes and the Borrower in favour of the Bank ("**Reid Homes' Postponement**"). Attached hereto and marked as Exhibit "**U**" is a copy of Reid Homes' Postponement.
- (e) Assignment of Material Documents dated October 31, 2016 granted by the Borrower in favour of the Bank (the "**Reid Homes Assignment of Material**

Documents"). Attached hereto and marked as Exhibit "V" is a copy of the Reid Homes Assignment of Material Documents.

- (f) Environmental Indemnity Agreement dated October 31, 2016 granted by the Borrower and the Guarantors in favour of the Bank (the "**Reid Homes Environmental Liability Agreement**"). Attached hereto and marked as Exhibit "W" is a copy of the Reid Homes Environmental Indemnity Agreement.
- (g) Assignment of Insurance Interest dated August 18, 2016 granted by the Borrower in favour of the Bank (the "**Reid Homes Assignment of Insurance Interest**"). Attached hereto and marked as Exhibit "X" is a copy of the Reid Homes Assignment of Insurance Interest.
- (h) General Assignment of Purchase and Sale Agreements and Proceeds of Sale dated October 31, 2016 granted by Reid Homes in favour of the Lender (the "**Reid Homes GAPS Assignment**"). Attached hereto and marked as Exhibit "Y" is a copy of the Reid Homes GAPS Assignment.
- (i) Cost Overrun and Completion Guarantee dated October 31, 2016 granted by Reid Homes and the Guarantors in favour of the Bank (the "**Reid Homes Cost Overrun and Completion Guarantee**"). Attached hereto and marked as Exhibit "Z" is a copy of the Reid Homes Cost Overrun and Completion Guarantee.
- (j) Assignment of Construction Contracts dated October 31, 2016 granted by Reid Homes in favour of the Bank (the "**Reid Homes Assignment of Construction Contracts**"). Attached hereto and marked as Exhibit "AA" is a copy of the Reid Homes Assignment of Construction Contracts.

(collectively, with the Borrower Security Documents, the "**Security Documents**").

C. Subordination and Postponement Agreement

17. A chart (the "**Registration Chart**") summarizing the security and other financial registrations held by the Bank as against the Original Lands and the Additional Lands, as of November 14, 2017, is attached hereto and marked as Exhibit "**BB**".

18. There is only one registration that is registered ahead of the Bank and that is a registration (the "**CICI Registration**") under instrument number 102 265 932 by Canada ICI Capital Corporation. The CICC Registration has been postponed to the registrations of the Bank. Attached hereto and marked as Exhibit "**CC**" are copies of the instrument postponing and subordinating the CICI Registration to the Bank's security.

19. Based upon a review of the Registration Chart it is my understanding that the Bank has first priority registered security against the Original Lands and the Additional Lands.

IV. ADDITIONAL CONCERNS

20. The Bank does not have updated information in respect of the status of the Project and the sale of units that are subject to the Bank's security. The Bank requires further information on the status of the sale of the Phase 1 units of the Project as well as the status of the subsequent phases of the Project.

21. The Bank is also concerned that the Project and the lands over which it holds its security may be subject to Court-ordered charges (as set out at paragraphs 18 and 21 of the Receivership Order) ranking in priority to the Bank. The Bank objects to such charges being in priority to its mortgage security. Given the limited information available to the Bank, it is not clear that it will receive any meaningful benefit from the restructuring or liquidation work done by the Receiver for the Borrower and Guarantors and for any other member of the corporate group of the debtors. The Bank is particularly concerned about fees, disbursements and advances to fund the receivership being incurred by the Receiver and secured by the Court-ordered Charges in priority to the Bank's security for the benefit of other members of the debtors' corporate group and their stakeholders. This is concerning especially where it is not clear to the Bank that the assets of the

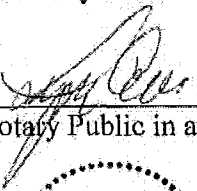
Borrower and the Guarantors will be sufficient to satisfy any priority costs that may be allocated to those parties with recoveries available to the Bank.

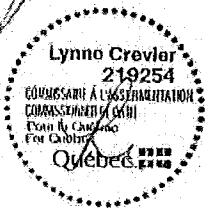
22. The Bank believes that there is presently insufficient information available to make a determination of whether any meaningful benefit will be obtained by it from the receivership proceedings. The Bank wishes to reserve all of its rights in respect of the Project, the Original Lands and the Additional Lands over which it has first priority security until further information becomes available as to the Receiver's proposal in respect of the Project, the Original Lands and the Additional Lands.

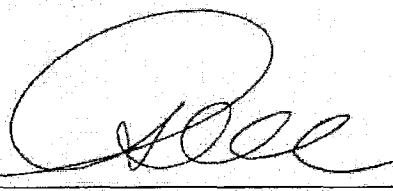
V. RELIEF SOUGHT

23. I swear this Affidavit in support of the Bank's position that the Project, the Original Lands and the Additional Lands not be allocated any charges that are not associated with the administration of those specific assets by the Receiver and to reserve all of the rights of the Bank in respect of the Project, the Original Lands and the Additional Lands.

SWORN BEFORE ME at the City of
Montreal, in the Province of Quebec,
this 17th day of November, 2017.


A Notary Public in and for Quebec



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CONCETTA BIELLO